

AMENDED IN SENATE APRIL 16, 2007

SENATE BILL

No. 451

Introduced by Senator Kehoe

February 21, 2007

An act to add ~~Section 576 to Chapter 8~~ (commencing with Section 2840) to Part 2 of Division 1 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 451, as amended, Kehoe. Energy: ~~conservation~~. governmental energy producers.

Under existing law, the Public Utilities Commission is vested with regulatory authority over public utilities. Existing law permits a private energy producer to generate electricity not generated from conventional sources, as defined, solely for its own use or the use of its tenants, or to or for any electrical corporation, state agency, city, county, district, or an association thereof, but not the public, without becoming a public utility subject to the general jurisdiction of the commission. Existing law requires the commission to review the charges paid by electrical corporations to private energy producers for that electricity and related standby and transmission charges and, after the review, to adjust those charges to encourage the generation of electricity from other than conventional power sources. Existing law authorizes the City of Davis to receive a bill credit, as defined, to a benefiting account, as defined, for electricity supplied to the electric grid by a photovoltaic facility located within and partially owned by the city and requires the commission to adopt a rate tariff for the benefiting account.

This bill would authorize a city, county, city and county, or joint powers agency formed by a city, county, or city and county to receive

a bill credit, as defined, to a benefiting account, as defined, for electricity supplied to the electric grid by an eligible renewable generating facility, as defined, and requires the commission to adopt a rate tariff for the benefiting account.

~~Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations and gas corporations. Existing law authorizes the PUC to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. The existing Public Utilities Act requires the PUC to review and adopt a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives. Existing law requires that the costs of certain contracts entered into pursuant to a procurement plan by an electrical corporation for electricity be recoverable in rates, in a manner determined by the PUC to provide the best value to ratepayers. Existing law requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to identify all potentially achievable cost-effective electricity efficiency savings and to establish efficiency targets for an electrical corporation to achieve pursuant to its procurement plan. Existing law requires the PUC, in consultation with the Energy Commission, to identify all potentially achievable cost-effective natural gas efficiency savings and to establish efficiency targets for the gas corporation to achieve these targets and to require that a gas corporation first meet its unmet gas resource needs through all available natural gas efficiency and demand reduction resources that are cost-effective, reliable, and feasible.~~

~~This bill would require the commission to require each electrical corporation and gas corporation to develop and implement an energy conservation investment initiative that consists of all cost-effective, reliable, and feasible direct investments in equipment and practices that reduce the use of energy. The bill would provide that the investment made by an electrical corporation or gas corporation pursuant to an approved initiative is recoverable in rates, including a reasonable return on invested capital, as determined by the commission.~~

~~Under existing law, a violation of the Public Utilities Act or an order or direction of the commission is a crime. Because the provisions of this bill are within the act and require action by the commission to implement its requirements, a violation of these provisions would require an order or other action of the commission to implement and~~

a violation of that order or action would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 8 (commencing with Section 2840) is
2 added to Part 2 of Division 1 of the Public Utilities Code, to read:

3
4 CHAPTER 8. GOVERNMENTAL ENERGY PRODUCERS
5

6 2840. (a) As used in this section, the following terms have the
7 following meanings:

8 (1) "Benefiting account" means an electricity account, or more
9 than one account, mutually agreed upon by a governmental entity
10 and an electrical corporation.

11 (2) "Bill credit" means credits calculated based upon the
12 electricity generation component of the rate schedule applicable
13 to a benefiting account, as applied to the quantities of electricity
14 generated by an eligible renewable generating facility.

15 (3) "Eligible renewable generating facility" means a generation
16 facility that is an eligible renewable energy resource pursuant to
17 the California Renewables Portfolio Standard Program that is
18 owned or operated by a city, county, city and county, or joint
19 powers agency formed by a city, county, or city and county.

20 (4) "Environmental attributes" associated with an eligible
21 renewable generating facility include, but are not limited to, the
22 credits, benefits, emissions reductions, environmental air quality
23 credits, and emissions reduction credits, offsets, and allowances,
24 however entitled resulting from the avoidance of the emission of
25 any gas, chemical, or other substance attributable to the eligible
26 renewable generating facility.

27 (b) A city, county, city and county, or joint powers agency
28 formed by a city, county, or city and county may elect to designate

1 *a benefiting account, or more than one account, to receive bill*
2 *credit for the electricity generated by an eligible renewable*
3 *generating facility, if all of the following conditions are met:*

4 *(1) A benefiting account receives service under a time-of-use*
5 *rate schedule.*

6 *(2) The electrical output of the eligible renewable generating*
7 *facility is metered for time of use to allow allocation of each bill*
8 *credit to correspond to the time-of-use period of a benefiting*
9 *account.*

10 *(3) All costs associated with the metering requirements of*
11 *paragraphs (1) and (2) are the responsibility of the city, county,*
12 *city and county, or joint powers agency formed by a city, county,*
13 *or city and county.*

14 *(4) All electricity delivered to the electrical grid by the eligible*
15 *renewable generating facility is the property of the electrical*
16 *corporation that provides for interconnection.*

17 *(5) The city, county, city and county, or joint powers agency*
18 *formed by a city, county, or city and county does not sell electricity*
19 *delivered to the electrical grid to a third party.*

20 *(6) The right, title, and interest in the environmental attributes*
21 *associated with the electricity delivered to the electrical grid by*
22 *the eligible renewable generating facility are the property of the*
23 *electrical corporation.*

24 *(c) A benefiting account shall be billed on a monthly basis, as*
25 *follows:*

26 *(1) For all electricity usage, the rate schedule applicable to the*
27 *benefiting account shall be the rate schedule of the benefiting*
28 *account, including any cost-recovery surcharge or other cost*
29 *recovery mechanism, as determined by the commission, to*
30 *reimburse the Department of Water Resources for purchases of*
31 *electricity, pursuant to Division 27 (commencing with Section*
32 *80000) of the Water Code.*

33 *(2) The rate schedule for the benefiting account shall also*
34 *provide credit for the generation component of the time-of-use*
35 *rates for the electricity generated by the eligible renewable*
36 *generating facility that is delivered to the electrical grid. The*
37 *generation component credited to the benefiting account may not*
38 *include the cost-responsibility surcharge or other cost recovery*
39 *mechanism, as determined by the commission, to reimburse the*
40 *Department of Water Resources for purchases of electricity,*

1 *pursuant to Division 27 (commencing with Section 80000) of the*
2 *Water Code.*

3 *(3) If in any billing cycle, the charge pursuant to paragraph (1)*
4 *for electricity usage exceeds the billing credit pursuant to*
5 *paragraph (2), the city, county, city and county, or joint powers*
6 *agency formed by a city, county, or city and county shall be*
7 *charged for the difference.*

8 *(4) If in any billing cycle, the billing credit pursuant to*
9 *paragraph (2) exceeds the charge for electricity usage pursuant*
10 *to paragraph (1), the difference shall be carried forward as a*
11 *credit to the next billing cycle.*

12 *(5) After the electricity usage charge pursuant to paragraph*
13 *(1) and the credit pursuant to paragraph (2) are determined for*
14 *the last billing cycle of a calendar year, any remaining credit*
15 *resulting from the application of this section shall be reset to zero.*

16 *(d) Not more frequently than once per year, and upon providing*
17 *the electrical corporation with a minimum of 60 days' notice, the*
18 *city, county, city and county, or joint powers agency formed by a*
19 *city, county, or city and county may elect to change a benefiting*
20 *account. Any credit resulting from the application of this section*
21 *earned prior to the change in a benefiting account that has not*
22 *been used as of the date of the change in the benefit account, shall*
23 *be applied, and may only be applied, to a benefiting account as*
24 *changed.*

25 *(e) A city, county, city and county, or joint powers agency*
26 *formed by a city, county, or city and county shall provide the*
27 *electrical corporation to which the eligible renewable generating*
28 *facility will be interconnected with not less than 60 days' notice*
29 *prior to the eligible renewable generating facility becoming*
30 *operational. The electrical corporation shall file an advice letter*
31 *with the commission, that complies with this section, not later than*
32 *30 days after receipt of the notice, proposing a rate tariff for a*
33 *benefiting account. The commission, within 30 days of the date of*
34 *filing, shall approve the proposed tariff, or specify conforming*
35 *changes to be made by the electrical corporation to be filed in a*
36 *new advice letter.*

37 *(f) The city, county, city and county, or joint powers agency*
38 *formed by a city, county, or city and county may terminate its*
39 *election pursuant to subdivision (b), upon providing the electrical*
40 *corporation with a minimum of 60 days' notice. Should the city,*

1 *county, city and county, or joint powers agency formed by a city,*
2 *county, or city and county sell its interest in the eligible renewable*
3 *generating facility, or sell the electricity generated by the eligible*
4 *renewable generating facility, in a manner other than required by*
5 *this section, upon the date of either event, and the earliest date if*
6 *both events occur; no further bill credit pursuant to paragraph (2)*
7 *of subdivision (b) may be earned. Only credit earned prior to that*
8 *date shall be made to a benefiting account.*

9 ~~SECTION 1. Section 576 is added to the Public Utilities Code,~~
10 ~~to read:~~

11 ~~576. The commission shall require each electrical corporation~~
12 ~~and gas corporation to develop and implement an energy~~
13 ~~conservation investment initiative. For each electrical corporation~~
14 ~~and each gas corporation, the initiative shall consist of all~~
15 ~~cost-effective, reliable, and feasible direct investments in~~
16 ~~equipment and practices that reduce the use of energy. The~~
17 ~~investment made by an electrical corporation or gas corporation~~
18 ~~pursuant to an approved initiative shall be recoverable in rates,~~
19 ~~including a reasonable return on invested capital, as determined~~
20 ~~by the commission.~~

21 SEC. 2. No reimbursement is required by this act pursuant to
22 Section 6 of Article XIII B of the California Constitution because
23 the only costs that may be incurred by a local agency or school
24 district will be incurred because this act creates a new crime or
25 infraction, eliminates a crime or infraction, or changes the penalty
26 for a crime or infraction, within the meaning of Section 17556 of
27 the Government Code, or changes the definition of a crime within
28 the meaning of Section 6 of Article XIII B of the California
29 Constitution.